

UBUHLEBEZWE LOCAL MUNICIPALITY

CASH MANAGEMENT AND INVESTMENT POLICY



BANKING AND INVESTMENT POLICY

INDEX

- PART 1: LEGAL COMPLIANCE
- PART 2: OBJECTIVE OF INVESTMENT POLICY
- PART 3: EFFECTIVE CASH MANAGEMENT
 - 3.1 Cash Collection
 - 3.2 Payments to Creditors
 - 3.3 Management of Inventory
 - 3.4 Cash Management Programme
- PART 4: INVESTMENT ETHICS
- PART 5: INVESTMENT PRINCIPLES
 - 5.1 Limiting Exposure
 - 5.2 Risk and Return
 - 5.3 Payment of Commission
 - 5.4 Call Deposits and Fixed Deposits
 - 5.5 Restriction on Tenure of Investments
- PART 6: CONTROL OVER INVESTMENTS
- PART 7: OTHER EXTERNAL INVESTMENTS
- PART 8: BANKING ARRANGEMENTS
- PART 9: EFT PAYMENT PROCESS
- PART 10: RAISING OF DEBT
- PART 11: INVESTMENTS FOR THE REDEMPTION OF LONG-TERM LIABILITIES
- PART 12: INTEREST ON INVESTMENTS
- PART 13: ANNEXURE I: PARAPHRASE OF REQUIREMENTS OF MUNICIPAL FINANCE MANAGEMENT ACT NO. 56 OF 2003
- PART 14: ANNEXURE II: CODE OF PRACTICE

BANKING AND INVESTMENT POLICY

PART 1. LEGAL COMPLIANCE

The municipality shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with the provisions of and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003.

A paraphrase of the provisions of this Act is attached as Annexure I to this policy.

PART 2. OBJECTIVE OF INVESTMENT POLICY

The council of the municipality is the trustee of the public revenues, which it collects, and it therefore has an obligation to the community to ensure that the municipality's cash resources are managed effectively and efficiently.

The council therefore has a responsibility to invest these public revenues knowledgeably and judiciously, and must be able to account fully to the community in regard to such investments.

The investment policy of the municipality is therefore aimed at gaining the optimal return on investments, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes. The effectiveness of the investment policy is dependent on the accuracy of the municipality's cash management programme, which must identify the amounts surplus to the municipality's needs, as well as the time when and period for which such revenues are surplus.

BANKING AND INVESTMENT POLICY

PART 3. EFFECTIVE CASH MANAGEMENT

3.1 Cash Collection

All monies due to the municipality must be collected as soon as possible, either on or immediately after due date, and banked on a daily basis.

The respective responsibilities of the chief financial officer and other heads of departments in this regard is defined in a code of financial practice approved by the municipal manager and the chief financial officer, and this code of practice is attached as Annexure II to this policy.

The unremitant support of and commitment to the municipality's credit control policy, both by the council and the municipality's officials, is an integral part of proper cash collections, and by approving the present policy the council pledges itself to such support and commitment.

3.2 Payments to Creditors

The chief financial officer shall ensure that all tenders and quotations invited by and contracts entered into by the municipality stipulate payment terms favourable to the municipality, that is, payment to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by the municipality. This rule shall be departed from only where there are financial incentives for the municipality to effect earlier payment, and the chief financial officer shall approve any such departure before any payment is made.

In the case of small, micro and medium enterprises, where such a policy may cause financial hardship to the contractor, payment may be effected at the conclusion of the month during which the service is rendered or

BANKING AND INVESTMENT POLICY

within fourteen days of the date of such service being rendered, whichever is the later. The chief financial officer shall approve any such early payment before any payment is made.

Notwithstanding the foregoing policy directives, the chief financial officer shall make full use of any extended terms of payment offered by suppliers and not settle any accounts earlier than such extended due date, except if the chief financial officer determines that there are financial incentives for the municipality to do so.

The chief financial officer shall not ordinarily process payments, for accounts received, more than once in each calendar month, such processing to take place on or about the end of the month concerned. Wherever possible, payments shall be effected by means of electronic transfers rather than by cheques.

Special payments to creditors shall only be made with the express approval of the chief financial officer, who shall be satisfied that there are compelling reasons for making such payments prior to the normal month end processing.

3.3 Management of Inventory

Each head of department shall ensure that such department's inventory levels do not exceed normal operational requirements in the case of items, which are not readily available from suppliers, and emergency requirements in the case of items, which are readily available from suppliers.

Each head of department shall periodically review the levels of inventory held, and shall ensure that any surplus items be made available to the

BANKING AND INVESTMENT POLICY

chief financial officer for sale at a public auction or by other means of disposal, as provided for in the municipality's supply chain management policy.

3.4 Cash Management Programme

The chief financial officer shall prepare an annual estimate of the municipality's cash flows divided into calendar months, and shall update this estimate on a weekly basis. The estimate shall indicate when and for what periods and amounts surplus revenues may be invested, when and for what amounts investments will have to be liquidated, and when – if applicable – either long-term or short-term debt must be incurred. Heads of departments shall in this regard furnish the chief financial officer with all such information as is required, timeously and in the format indicated.

The chief financial officer shall report to the executive committee or the executive mayor, as the case may be, on a monthly basis and to every ordinary council meeting the cash flow estimate or revised estimate for such month or reporting period respectively, together with the actual cash flows for the month or period concerned, and cumulatively to date, as well as the estimates or revised estimates of the cash flows for the remaining months of the financial year, aggregated into quarters where appropriate. The cash flow estimates shall be divided into calendar months, and in reporting the chief financial officer shall provide comments or explanations in regard to any significant cash flow deviation in any calendar month forming part of such report. Such report shall also indicate any movements in respect of the municipality's investments, together with appropriate details of the investments concerned.

BANKING AND INVESTMENT POLICY

PART 4. INVESTMENT ETHICS

The chief financial officer shall be responsible for investing the surplus revenues of the municipality, and shall manage such investments in consultation with the executive mayor or chairperson of the executive committee, as the case may be, and in compliance with any policy directives formulated by the council and prescriptions made by the Minister of Finance.

In making such investments the chief financial officer, shall at all times have only the best considerations of the municipality in mind, and, except for the outcome of the consultation process with the executive mayor or chairperson of the executive committee, as the case may be, shall not accede to any influence by or interference from councillors, investment agents or institutions or any other outside parties.

Neither the chief financial officer nor the executive mayor or chairperson of the executive committee, as the case may be, may accept any gift, other than an item having such negligible value that it cannot possibly be construed as anything other than a token of goodwill by the donor, from any investment agent or institution or any party with which the municipality has made or may potentially make an investment.

PART 5. INVESTMENT PRINCIPLES

5.1 Limiting Exposure

Where large sums of money are available for investment the chief financial officer shall ensure that they are invested with more than one institution, wherever practicable, in order to limit the risk exposure of the municipality. The chief financial officer shall further ensure that, as far as it is practically and legally possible, the municipality's investments are so

BANKING AND INVESTMENT POLICY

distributed that more than one investment category is covered (that is, call, money market and fixed deposits).

5.2 Risk and Return

Although the objective of the chief financial officer in making investments on behalf of the municipality shall always be to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved about both the financial institution and the investment instrument concerned. No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions. Deposits shall be made only with registered deposit-taking institutions (see 5.4 below).

5.3 Payment of Commission

Every financial institution with which the municipality makes an investment must issue a certificate to the chief financial officer in regard to such investment, stating that such financial institution has not paid and will not pay any commission and has not and will not grant any other benefit to any party for obtaining such investment.

5.4 Call Deposits and Fixed Deposits

Before making any call or fixed deposits, the chief financial officer, shall obtain quotations from at least three financial institutions.

Given the volatility of the money market, the chief financial officer, shall, whenever necessary, request quotations telephonically, and shall record in an appropriate register the name of the institution, the name of the person contacted, and the relevant terms and rates offered by such

BANKING AND INVESTMENT POLICY

institution, as well as any other information which may be relevant (for example, whether the interest is payable monthly or only on maturity, and so forth).

Once the best investment terms have been identified, written confirmation of the telephonic quotation must be immediately obtained (by facsimile, e-mail or any other expedient means).

Any monies paid over to the investing institution in terms of the agreed investment (other than monies paid over in terms of part 7 below) shall be paid over only to such institution itself and not to any agent or third party. Once the investment has been made, the chief financial officer shall ensure that the municipality receives a properly documented receipt or certificate for such investment, issued by the institution concerned in the name of the municipality.

5.5 Restriction on Tenure of Investments

No investment with a tenure exceeding twelve months shall be made without the prior approval of the executive mayor or the executive committee, as the case may be.

PART 6. CONTROL OVER INVESTMENTS

The chief financial officer shall ensure that proper records are kept of all investments made by the municipality. Such records shall indicate the date on which the investment is made, the institution with which the monies are invested, the amount of the investment, the interest rate applicable, and the maturity date. If the investment is liquidated at a date other than the maturity date, such date shall be indicated.

BANKING AND INVESTMENT POLICY

The chief financial officer shall ensure that all interest and capital properly due to the municipality are timeously received, and shall take appropriate steps or cause such appropriate steps to be taken if interest or capital is not fully or timeously received.

The chief financial officer shall ensure that all investment documents and certificates are properly secured in a fireproof safe with segregated control over the access to such safe, or are otherwise lodged for safekeeping with the municipality's bankers or attorneys.

PART 7. OTHER EXTERNAL INVESTMENTS

From time to time, it may be in the best interests of the municipality to make longer-term investments in secure stock issued by the national government, Eskom or any other reputable parastatal or institution, or by another reputable municipality. In such cases the chief financial officer, must be guided by the best rates of interest pertaining to the specific type of investment, which the municipality requires, and to the best and most secure instrument available at the time.

No investment with a tenure exceeding twelve months shall be made without the prior approval of the executive mayor or executive committee, as the case may be, and without guidance having been sought from the municipality's bankers or other credible investment advisers on the security and financial implications of the investment concerned.

PART 8. BANKING ARRANGEMENTS

The municipal manager is responsible for the management of the municipality's bank accounts, but may delegate this function to the chief financial officer. The municipal manager and chief financial officer are authorised at all times to sign

BANKING AND INVESTMENT POLICY

cheques and any other documentation associated with the management of such accounts. The municipal manager, in consultation with the chief financial officer, is authorised to appoint two or more additional signatories in respect of such accounts, and to amend such appointments from time to time. The list of current signatories shall be reported to the executive committee or the executive mayor, as the case may be, on a monthly basis, as part of the report dealing with the municipality's investments.

In compliance with the requirements of good governance, the municipal manager shall open a bank account for ordinary operating purposes, and shall further maintain a separate account for each of the following: the administration of the external finance fund and of the asset financing reserve (if these accounts are legally permissible). One or more separate accounts shall also be maintained for the following: capital receipts in the form of grants, donations or contributions from whatever source; trust funds; and the municipality's self-insurance reserve (if legally permissible). In determining the number of additional accounts to be maintained, the municipal manager, in consultation with the chief financial officer, shall have regard to the likely number of transactions affecting each of the accounts referred to. Unless there are compelling reasons to do otherwise, and the council expressly so directs, all the municipality's bank accounts shall be maintained with the same banking institution to ensure pooling of balances for purposes of determining the interest payable to the municipality.

The municipal manager shall invite tenders for the placing of the municipality's bank accounts within six months after the election of each new council, such new banking arrangements to take effect from the first day of the ensuing financial year. However, such tenders may be invited at any earlier stage, if the municipal manager, in consultation with the chief financial officer, is of the opinion that the services offered by the municipality's current bankers are materially defective, or not cost-effective, and the executive mayor or the executive committee, as the case may be, agrees to the invitation of such tenders.

BANKING AND INVESTMENT POLICY

PART 9. EFT PAYMENT PROCESS

Electronic fund transfers include any monetary transaction that is initiated electronically and does not require the physical transfer of paper money between the two parties. This is an electronic payment delivery system that processes electronic credit and debit transactions, including direct transfers, direct deposits, direct disbursements (salaries, payment of creditors and any other payment), and any other direct charges or deposits made to the bank account.

The on-line system is used by employees with approved and delegated access authorisation.

Security and Segregation of duties

Administrators

Administrator/s are required to set up and maintain User permissions and to set system parameters. The administrators will set up each user and define their levels of access to accounts, payment limits, ability to digitally sign a transaction, and the resetting of passwords.

Ubuhlebezwe has two Administrators (The Chief Financial Officer and the Accounting Officer), one Administrator alone cannot authorise transactions. He/She needs the authorisation of the other Administrator/s to do so, and this restriction, among others, limits the inherent risks of frauds and thefts that are prevalent in a single Administrator set-up.

Dual Authorisation

Up to 2 authorisations can be applied to authorise transactions (The Chief Financial Officer and the Accounting Officer),.

A & B Signatories

The municipality also ensures that there is segregation of duties. The segregation of duties will be as follows:

- There shall be two (2) Administrators at any one time(The Chief Financial Officer and the Accounting Officer).
- Authorised signatories will be characterized as A and B signatories.
- The Accounting Officer and The Chief Financial Officer shall be category A signatories.
- Any other delegated signatory shall be category B signatory.
- The category B signatory shall not be able to fully authorize transactions without the category A signatory authenticating the transaction and signing off in order to fully process the transaction

BANKING AND INVESTMENT POLICY

Captures appointed by the administrators do not have powers to authorize, they can only capture transactions. Administrator only has access to administer the system as detailed above and authorize. They cannot capture figures or alter information such as banking

The Event Log

The Event Log function allows you to search for an event, using the search criteria. An event is any function that is available on the system e.g. password reset, transfer added. A list of all Users ID's that have created that event is displayed; with the date and time it was logged. These are scrutinised by Internal Audit on a monthly basis for abnormalities.

Online Limits

Online Settlement Limits is a facility offered by the bank to allow the municipality to transact i.e. carry out payments, collections and transfers against a approved line of credit (limit). Settlement limits needs to be maintained per client as the banks credit risk exposure is based on its clients, as borrowing entities and not on the products or accounts they use. Online Settlement Limits does not allow for any excesses, any transactions that exceed the limit available will automatically reject and the client will have to arrange for an increase in the limit before the payments, collections or transfers can be submitted again.

Verify Account Owner

Account Owner Verification is an electronic banking solution which verifies that the account details captured belong to the person or organisation that is intended. All is needed is the account number, name and ID number of the individual, or the account number, business name and registration number of the business.

This service facilitates the automated verification of bank account holder details on an inter-bank basis; participating banks include ABSA, FNB, Standard Bank, Nedbank, Capitec Bank and Mercantile.

Notifications

This functionality allows each user to select to receive a sms and/or e-mail notification for the following:

- Batches requiring authorisation.
- The success/failure of processed batches (Payments, Transfers and Collections batches).
- Reminder notification 2 days prior to processing for future dated batches (to ensure the availability of funds).

Access controls and security checks

Security Settings and Trusted Profiles

Manage User Access mitigates the risk surrounding the unauthorised use of Online Banking Enterprise by limiting Users to only access the system from their approved Trusted Profile.

BANKING AND INVESTMENT POLICY

Access to Online Banking Enterprise is not possible when the accesses the system from a PC not specified as their Trusted Profile as created, even if their valid Username and Password have been entered.

The Manage User Access functionality operates using the following parameters:

- Trusted Profiles (compulsory)
- Time settings (optional)
- IP Address settings (optional)

The overall security of the EFT System is administered by the accredited Financial Institution used by the Municipality and the integrity of system and user profiles is protected through the security provided by the financial institution. Steps that are taken to protect user profiles include assigning system user IDs for each authorized user and changing user IDs as necessary. The Financial Institution assists users with technical problems related to the EFT system.

Under no circumstances may the EFT system be accessed in a public internet café.

The user certificate must be kept in a PC assigned to the authorizer and a password must be changed in certain intervals.

Other additional controls

- a) Individuals who have access to the banking system are to be allocated unique password and user identities to enable operator verification on audit trail. Passwords are to be memorised and not disclosed to other personnel.
- b) Employees who will be involved in the cash transfers process are properly screened.
- c) Banking access time is controlled and require logon after 10 minutes of inactivity.
- d) Banking workstations are not left unattended while signed into Online Banking.
- e) Operators are to follow bank operating and security procedures, as per banking services provider, when using online banking.
- f) All files and documents generated through the banking system are encrypted.
- g) An audit log is produced confirming operator, date and time and transaction details and is retained in a secure location in the municipal offices for audit purposes.
- h) Amendment and delete access to audit trail reports is restricted to the financial institution.

BANKING AND INVESTMENT POLICY

- i) Authorised Funds transfer and payroll Transmission Log is given by the financial institution to internal audit Manager for scrutiny and identification of abnormalities.
- j) Internal Audit is to undertake independent review of system audit logs including logon attempts/session paths, logon violation records.

Municipal employees who initiate or complete EFT transactions are responsible for ensuring that the financial internal controls are maintained, the activity is posted timely, and operational procedures are in place to prevent loss of the Municipal funds arising from fraud, employee error, and or misrepresentation by third parties.

Administrative Procedures

1. Accounts Payable

- (a) Supplier invoices are only released for payment once approved and authenticated. b) The Expenditure Accountant ensures that invoices released for payment are in accordance with Municipal payment terms and conditions specified in the Debtors and creditors policy.
- (c) Expenditure Accountant generates and signs a proposed payment report for EFT payments for approval by the Accounting Officer and one of the two authorized bank signatories.
- (d) The accounting officer or the Chief Financial Officer authorizes the release of Funds from the municipal bank account.
- (e) Expenditure accountant reconciles supplier statements to individual supplier records prior to the payment being made including payment validation. The Chief Financial Officer or delegated person reviews creditors' reconciliations on a monthly basis.

2. Payroll Office

- (a) Employee salaries including councilor's salaries are processed by EFT only, direct to a nominated bank account.
- (b) Staff payments are restricted based on payment conditions stipulated in the HR policies, employment contracts, Guidelines set by the Bargaining Council and recorded in Municipal payroll system.

BANKING AND INVESTMENT POLICY

- (c) Any variation to pay terms and conditions is approved by the Accounting Officer.
- (d) Payment reports are authorized by the Chief Financial Officer or delegated.
- (e) Municipal Manager, Chief Financial Officer and Payroll personnel have restricted entry to the payroll system based on segregation of their duties as administered by the Municipal Financial Institution.
- (f) The Payroll Officer has access to create or amend employee pay rates. Authentication and validation of changes are granted by the Accounting Officer.
- (g) Part time employees /casual workers / overtime are recorded based on timesheets authorised by the respective Director within each section.
- (h) The Payroll Officer undertakes a payroll reconciliation to validate the accuracy of net pay amounts.
- (h) The pay reconciliation is provided to the Chief Financial Officer or delegated for approval.

Revenue and Receipts

- (a) The Revenue Accountant confirms EFT transfer amounts processed through the bank statement and ensure proper allocation and classification of these amounts as per their respective accounts.
- (b) Revenue accountant does the cash reconciliation process and includes a detailed review of receipts, bank account numbers and other references relating to the cash transfers as reflected on the bank statement.
- (c) The revenue accountant prepares a daily and monthly reconciliation.
- (d) Chief Financial Officer or delegated approves the Monthly debtors reconciliation.
- (e) Staff within Revenue Section will monitor bank balances daily for unusual or unexpected transactions, reconcile bank activity to the general ledger in a timely manner, and investigate and resolve reconciling items.
- (f) Cash received is receipted electronically by the cashier on the financial system on receipt.
- (g) Daily reconciliation between the cash on hand and amount reflected on the general ledger are done by the Revenue Accountant.
- (h) The accountant prepares a deposit slip, and safety stores both the deposit slip and cash received in a safe.

BANKING AND INVESTMENT POLICY

- (i) Excess to the safe is restricted to the Revenue Accountant.
- (j) A designated financial security company, appointed by the Municipality is responsible for collection and banking of the cash into the municipal bank account.
- (k) Revenue Accountant is responsible for checking that the amount has been paid into the Municipal Bank Account within three days from the date of pick up.

PART 10. RAISING OF DEBT

The municipal manager is responsible for the raising of debt, but may delegate this function to the chief financial officer, who shall then manage this responsibility in consultation with the municipal manager. All debt shall be raised in strict compliance with the requirements of the Municipal Finance Management Act 2003, and only with the prior approval of the council.

Long-term debt shall be raised only to the extent that such debt is provided for as a source of necessary finance in the capital component of the approved annual budget or adjustments budget.

Short-term debt shall be raised only when it is unavoidable to do so in terms of cash requirements, whether for the capital or operating budgets or to settle any other obligations, and provided the need for such short-term debt, both as to extent and duration, is clearly indicated in the cash flow estimates prepared by the chief financial officer. Short-term debt shall be raised only to anticipate a certain long-term debt agreement or a certain inflow of operating revenues.

PART 11. INVESTMENTS FOR THE REDEMPTION OF LONG-TERM LIABILITIES

In managing the municipality's investments, the chief financial officer shall ensure that, whenever a long-term (non-annuity) loan is raised by the municipality, an

BANKING AND INVESTMENT POLICY

amount is invested at least annually equal to the principal sum divided by the period of the loan. Such investment shall be made against the bank account maintained for the external finance fund, and shall be accumulated and used only for the redemption of such loan on due date. The making of such investment shall be approved by the council at the time that the loan itself is approved.

If the loan raised is not a fixed term loan, but an annuity loan, the chief financial officer shall ensure that sufficient resources are available in the account maintained for the external finance fund to repay the principal amounts due in respect of such loan on the respective due dates.

PART 12. INTEREST ON INVESTMENTS

The interest accrued on all the municipality's investments shall, in compliance with the requirements of generally accepted municipal accounting practice, be recorded in the first instance in the municipality's operating account as ordinary operating revenues, and shall thereafter be appropriated, at the end of each month, to the fund or account in respect of which such investment was made.

In the case of the external finance fund, the chief financial officer may reduce the amount which must be annually invested to redeem any particular loan by the amount of interest so accrued.

If the accrual of interest to the external finance fund, unutilised capital receipts and trust funds results in a surplus standing to the account of any such funds, that is, an amount surplus to the resources required in respect of such funds or accounts, such surplus amount shall be credited by the chief financial officer to the appropriation account and reappropriated to the asset financing reserve.

BANKING AND INVESTMENT POLICY

PART 13. ANNEXURE I: PARAPHRASE OF REQUIREMENTS OF MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003

Note: In terms of Section 60(2) of the Municipal Systems Act No. 32 of 2000 the council may delegate the authority to take decisions on making investments on behalf of the municipality only to the executive mayor, executive committee or chief financial officer. The foregoing policy is based on the assumption that such authority has been delegated to the chief financial officer.

BANKING AND INVESTMENT POLICY

SECTION 7: OPENING OF BANK ACCOUNTS

Every municipality must open and maintain at least one bank account. This bank account must be in the name of the municipality, and all monies received by the municipality must be paid into this bank account or accounts, promptly and in accordance with any requirements that may be prescribed.

A municipality may not open a bank account:

- otherwise than in the name of the municipality;
- abroad; or
- with an institution not registered as a bank in terms of the Banks Act 1990.

Money may be withdrawn from the municipality's bank account only in accordance with the requirements of Section 11 of the present Act.

SECTION 8: PRIMARY BANK ACCOUNT

Every municipality must have a primary bank account, and if the municipality has only one bank account that account is its primary bank account. If the municipality has more than one bank account, it must designate one of those bank accounts as its primary bank account.

The following must be paid into the municipality's primary account:

- all allocations to the municipality;
- all income received by the municipality on its investments;
- all income received by the municipality in connection with its interest in any municipal entity;

BANKING AND INVESTMENT POLICY

- all money collected by a municipal entity or other external mechanism on behalf of the municipality, and;
- any other monies as may be prescribed.

The accounting officer of the municipality must submit to the national treasury, the provincial treasury and the Auditor-General, in writing, the name of the bank where the primary bank account of the municipality is held, and the type and number of the account. If the municipality wants to change its primary bank account, it may do so only after the accounting officer has informed the national treasury and the Auditor-General, in writing, at least 30 days before making such change.

SECTION 9: BANK ACCOUNT DETAILS TO BE SUBMITTED TO PROVINCIAL TREASURIES AND AUDITOR-GENERAL

The accounting officer of the municipality must submit to the provincial treasury and to the Auditor-General, in writing, within 90 days after the municipality has opened a new bank account, the name of the bank where the account has been opened, and the type and number of the account; and annually, before the start of each financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account.

SECTION 10: CONTROL OF MUNICIPAL BANK ACCOUNTS

The accounting officer of the municipality must administer all the municipality's bank accounts, is accountable to the municipal council for the municipality's bank accounts, and must enforce compliance with Sections 7, 8 and 11 of the present Act.

BANKING AND INVESTMENT POLICY

The accounting officer may delegate the duties referred to above only to the municipality's chief financial officer.

SECTION 11: WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS

Only the accounting officer or the chief financial officer of the municipality (presumably where this power has been appropriately delegated), or any other senior financial official of the municipality acting on the written authority of the accounting officer, may withdraw money or authorise the withdrawal of money from any of the municipality's bank accounts. Such withdrawals may be made only to:

- defray expenditure appropriated in terms of an approved budget;
- defray expenditure authorised in terms of Section 26(4) (this Section deals with situations in which the budget was not timeously approved, and the province has been compelled to intervene);
- defray unforeseeable and unavoidable expenditure authorised in terms of Section 29(1);
- in the case of a bank account opened in terms of Section 12, make payments from the account in accordance with Section 12(4);
- pay over to a person or organ of state money received by the municipality on behalf of such person or organ of state, including money collected by the municipality on behalf of such person or organ of state by agreement, or any insurance or other payments received by the municipality for such person or organ of state;
- refund money incorrectly paid into a bank account;
- refund guarantees, sureties and security deposits;
- make investments for cash management purposes in accordance with Section 13;
- defray increased expenditure in terms of Section 31; or

BANKING AND INVESTMENT POLICY

- for such other purposes as may be prescribed.

(Note that Section 11(1) does not expressly provide for the withdrawal of monies to pay creditors, where the relevant obligations arose in terms of the previous budget; to repay loans; or to repay consumer deposits).

Any authorisation to a senior financial official to withdraw money or to authorise the withdrawal of money from a bank account must be in accordance with the framework as may be prescribed. The accounting officer may not authorise any official other than the chief financial officer to withdraw money or to authorise the withdrawal of money from the municipality's primary bank account if the municipality has a primary bank account which is separate from its other bank accounts.

The accounting officer must, within 30 days after the end of each quarter, table in the council a consolidated report of all withdrawals made other than withdrawals to defray expenditure appropriated in terms of the approved budget, and submit a copy of the report to the relevant provincial treasury and the Auditor-General.

SECTION 12: RELIEF, CHARITABLE, TRUST OR OTHER FUNDS

No political structure or office bearer of the municipality may set up a relief, charitable, trust or other fund of whatever description, except in the name of the municipality. Only the municipal manager may be the accounting officer of any such fund.

A municipality may open a separate bank account in the name of the municipality for the purpose of such relief, charitable, trust or other fund. Money received by the municipality for the purpose of such fund must be paid into the bank account of the municipality, or if a separate bank account has been opened for such fund, into that account.

BANKING AND INVESTMENT POLICY

Money in a separate account opened for such fund may be withdrawn from the account without appropriation in terms of the approved budget, but only by or on the written authority of the accounting officer, acting in accordance with decisions of the council, and for the purposes for which, and subject to any conditions on which, the fund was established or the money in the fund was donated.

SECTION 13: CASH MANAGEMENT AND INVESTMENTS

The Minister, acting with the concurrence of the cabinet member responsible for local government, may prescribe a framework within which municipalities must conduct their cash management and investments, and invest money not immediately required.

A municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be so prescribed.

A bank where the municipality at the end of the financial year holds a bank account, or held a bank account at any time during such financial year, must, within 30 days after the end of such financial year, notify the Auditor-General, in writing, of such bank account, indicating the type and number of the account, and the opening and closing balances of that account in that financial year. The bank must also promptly disclose any information regarding the account when so requested by the national treasury or the Auditor-General.

A bank, insurance company or other financial institution which the end of the financial year holds, or at any time during the financial year held, an investment for the municipality, must, within 30 days after the end of that financial year, notify the Auditor-General, in writing, of that investment, including the opening and closing balances of that investment in that financial year. Such institution

BANKING AND INVESTMENT POLICY

must also promptly disclose any information regarding the investment when so requested by the national treasury or the Auditor-General.

SECTION 17: CONTENTS OF ANNUAL BUDGETS AND SUPPORTING DOCUMENTS

The following documents must accompany each tabled draft annual budget (inter alia):

- a projection of cash flows for the budget year by revenue source, divided into calendar months
- particulars of the municipality's investments.

SECTION 22: PUBLICATION OF ANNUAL BUDGETS

The accounting officer must make public, immediately after a draft annual budget is tabled, the budget itself and all the prescribed supporting documents, and invite comments from the local community in connexion with such budget (and documents).

SECTION 36: NATIONAL AND PROVINCIAL ALLOCATIONS TO MUNICIPALITIES

In order to provide predictability and certainty about the sources and levels of intergovernmental funding for municipalities, the accounting officer of a national or provincial department and the accounting authority of a national or provincial public entity responsible for the transfer of any proposed allocations to a municipality, must by no later than 20 January of each year notify the national treasury or the relevant provincial treasury as may be appropriate, of all

BANKING AND INVESTMENT POLICY

proposed allocations and the projected amounts of those allocations to be transferred to each municipality during each of the next 3 financial years.

The Minister or the MEC responsible for finance in the province must, when tabling the national annual budget in the national assembly or the provincial annual budget in the provincial legislature, make public particulars of any allocations due to each municipality in terms of that budget, including the amount to be transferred to the municipality during each of the next 3 financial years.

SECTION 37: PROMOTION OF CO-OPERATIVE GOVERNMENT BY MUNICIPALITIES

In order to enable municipalities to include allocations from other municipalities in their budgets and to plan effectively for the spending of such allocations, the accounting officer of every municipality responsible for the transfer of any allocation to another municipality, must, by no later than 120 days before the start of its budget year, notify the receiving municipality of the projected amount of any allocation proposed to be transferred to that municipality during each of the next 3 financial years.

SECTION 45: SHORT-TERM DEBT

The municipality may incur short-term debt only in accordance with and subject to the provisions of the present Act, and only when necessary to bridge shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic income to be received within that financial year; or to bridge capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.

The council may approve a short-term debt transaction individually, or may approve an agreement with a lender for a short-term credit facility to be accessed

BANKING AND INVESTMENT POLICY

as and when required, including a line of credit or bank overdraft facility, provided that the credit limit must be specified in the resolution of the council; the terms of the agreement, including the credit limit, may be changed only by a resolution of the council; and if the council approves a credit facility limited to emergency use, the accounting officer must notify the council in writing as soon as practicable of the amount, duration and cost of any debt incurred in terms of such a credit facility, as well as the options available for repaying such debt.

The municipality must pay off short-term debt within the financial year in which it was incurred, and may not renew or refinance short-term debt, whether its own debt or that of any municipal entity, where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year.

SECTION 46: LONG-TERM DEBT

A municipality may incur long-term debt only in accordance with and subject to any applicable provisions of the present Act, and only for the purpose of capital expenditure on property, plant or equipment to be used for the purpose of achieving the objects of local government as set out in Section 152 of the Constitution; or refinancing existing long-term debt subject to the requirements of Section 46(5).

SECTION 47: CONDITIONS APPLYING TO BOTH SHORT-TERM AND LONG-TERM DEBT

The municipality may incur debt only if the debt is denominated in rand and is not indexed to, or affected by, fluctuations in the value of the rand against any foreign currency.

SECTION 64: REVENUE MANAGEMENT (EXCERPTS)

BANKING AND INVESTMENT POLICY

The accounting officer of the municipality is responsible for the management of the revenue of the municipality.

The accounting officer, must, among other things, take all reasonable steps to ensure that all money received is promptly deposited in accordance with the requirements of the present Act into the municipality's primary and other bank accounts.

The accounting officer must also ensure that all revenue received by the municipality, including revenue received by any collecting agent on its behalf, is reconciled on at least a weekly basis.

The accounting officer must take all reasonable steps to ensure that any funds collected by the municipality on behalf of another organ of state are transferred to that organ of state at least on a weekly basis, and that such funds are not used for purposes of the municipality.

SECTION 65: EXPENDITURE MANAGEMENT (EXCERPTS)

The accounting officer of the municipality is responsible for the management of the expenditure of the municipality.

The accounting officer must take all reasonable steps to ensure, among other things, that payments made by the municipality are made direct to the person to whom they are due, unless agreed otherwise for reasons as may be prescribed, and either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit.

BANKING AND INVESTMENT POLICY

The accounting officer must also ensure that all money owing by the municipality is paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

The accounting officer must further ensure that the municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework.

PART 13: ANNEXURE II: CODE OF PRACTICE IN REGARD TO PAYMENTS, REVENUE COLLECTION AND STORES

1. STORES ADMINISTRATION

The chief financial officer shall be responsible for the proper administration of all stores. If sub-stores are established under the control of any head of department, such head of department shall be similarly responsible for the proper administration of such sub-store, and in doing so shall comply with the stock level policies as determined from time to time by the chief financial officer, acting in consultation with the head of department concerned. No sub-store may be established without the prior written consent of the chief financial officer.

2. CONTRACTS: MANAGEMENT OF

Within such general buying and related procedures as the chief financial officer shall from time to time determine, and further within the confines of any relevant legislation and of such rules and procedures as may be determined by the executive mayor or executive committee, as the case may be:

BANKING AND INVESTMENT POLICY

- all buying contracts shall be administered by the chief financial officer, and all payments relating to such contracts shall be authorised by the chief financial officer or the head of department concerned; and

- all other contracts, including building, engineering and other civil contracts shall be administered by the head of department concerned, and all payments relating to such contracts shall be authorised by such head of department in accordance with the provisions of Section 3 below. The head of department concerned shall ensure that all payment certificates in regard to contracts are properly examined and are correct in all respects - before being submitted to the chief financial officer for payment.

3. PAYMENTS

- 3.1 All payments, other than petty cash disbursements, shall be made through the municipality's bank account(s).
- 3.2 The chief financial officer shall draw all cheques on this account, and shall, in consultation with the municipal manager and with due regard to the council's policy on banking and investments, determine the rules and procedures relating to the signing of cheques, and from time to time jointly with the municipal manager decide on appropriate signatories.
- 3.3 All requests for payments of whatever nature shall be submitted on payment vouchers, the format of which shall be determined by the chief financial officer. Such vouchers shall be authorised in terms of such rules and procedures as are determined from time to time by the chief financial officer.

BANKING AND INVESTMENT POLICY

3.4 The maximum amount and nature of petty disbursements, where not covered by the general buying procedures referred to in Section 2, shall be generally determined from time to time by the chief financial officer. No cash float shall be operated without the authority of the chief financial officer, who may prescribe such procedures relevant to the management of such float as are considered necessary.

3.5 The chief financial officer shall be responsible for the payment of all salaries and remuneration benefits to employees and councillors, and for the determination of the payment system to be used.

4. REVENUE AND CASH COLLECTION

4.1 Every head of department shall be responsible for the collection of all moneys falling within the ambit and area of his or her designated functions.

4.2 The chief financial officer shall ensure that all revenues are properly accounted for.

4.3 The collection of all arrear revenues and the control of arrear accounts shall be co-ordinated by the chief financial officer in terms of any policies determined by the council. If it is clear that any revenues are not recovered or likely to be recovered after the necessary steps have been taken, the chief financial officer shall report the matter adequately and timeously to the finance and executive committees.

4.4 The chief financial officer shall ensure that adequate provision is maintained to cover the writing off of irrecoverable revenues, having due regard to the council's policy on rates and tariffs.

BANKING AND INVESTMENT POLICY

5. BANKING OF RECEIPTS

- 5.1 Guidelines and procedures for the banking of cheques and other receipts shall, if necessary, be determined from time to time by the chief financial officer.

- 5.2 Where applicable, every head of department shall ensure that all revenues are banked daily with the municipality's banker(s), or less frequently if so approved by the chief financial officer.